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AUGUST 1, 1983 ISSUE

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This forecast uses the July, 1983, U.S. Department of Commerce first estimates of 1983:2 National Income and Product data, and the 1982 benchmark revision data. Also used is the July 1983, Board of Governors of the Federal Reserve System release of the Index of Industrial Production, and the latest available data on prices, employment, industrial, and financial developments.

1.00 EXECUTIVE SUMMARY, OVERVIEW, AND ASSUMPTIONS

1.01 EXECUTIVE SUMMARY

Second quarter growth will be followed by a strong third quarter and some slowing in the last part of the year. Some action by the Fed is needed to make sure the economy does not overheat. REAL GROWTH The news was almost all good with sales, industrial output, operating rates in factories, durable orders, car sales, and factory shipments showing respectable gains. PRICES The change in the CPI forecast is still 3.-3.5 percent. If the economy takes off too quickly, the fires of inflation may be rekindled. It is assumed here that Fed action will prevent it. EMPLOYMENT The rate edged down again. The forecast is not changed from the 9.3 percent average seen in the last quarter of this year. HOUSING KEDI has projected that the high rates of housing starts earlier this year could not be maintained. The June rate was down from the May level. AUTOS The forecast is the same with total sales this year seen close to 8.8 million--a 10 percent gain over 1982. U.S. made autos will represent a growing share. BUDGETS The federal deficit forecast is slightly lowered. INCOME Of concern is the drastic drop in savings as income edges ahead. MONEY AND CREDIT The key here is action by the Fed. It needs to be more decisive. M1 growth is seen as being more curbed before the year is out. INTEREST RATES, YIELDS, AND SECURITIES PRICES Rates are starting to move ahead as has been forecast here for two years. Moderate increases will not stifle the recovery. No significant ups or downs of the stock market are foreseen in the rest of this year.

1.02 OVERVIEW

Growth in the second quarter of this year was reported at 8.7 percent, seasonally adjusted annual rate. That increase from the first to the second quarter was the strongest in two years.

The economy is recovering more rapidly than the majority of forecasters, including KEDI, anticipated. A strong performance

OVERVIEW

is also expected in the third quarter with some slowdown toward the end of the year.

Calculation show that such growth is TOO ROBUST AND TOO FAST. Rapid hikes may lead to falls. If the trend continued (and it is assumed here it won't) excess cars and houses would be built for instance. Within about one and a half years, the achievements of lower interest rates and inflation that were costly to reach would be essentially wiped out and the economy would be in the doldrums again. With unemployment moving slowly down, there will not be enough expansion of the market to absorb the autos and homes that continued rapid expansion would bring.

Credit demand would go up as those that could manage to but a new home or car sought financing. That would lead to higher interest rates. The next step would be some crumbling of growth, dealer lots full of unsold cars, and streets with empty new homes or bare foundations. Slow, steady growth provides time for a stronger foundation, and it would not be handicapped be the slow change in joblessness.

The Federal Reserve has to take action to tighten the money supply. Recently, the Fed changed the upper target for M1 in an upward direction. That does not indicate the policy will be sufficiently restrictive. Monetary and credit policies need some tightening. July surges in consumer credit indicate that the way to a "Jimmy Carter" boom may not be too distant. By that is meant, prime rate moving up toward high double digits and inflation going back into high rates. Just a few years ago, the prime rate was around 20 per cent and inflation was about 11 percent. That should not be repeated.

This Institute has been predicting for two years that the Federal Reserve would begin more restrictive policies in the latter part of this year. That is what is needed--especially considering the rapid growth in the second quarter. Boom and bust will be in the future without action by the Fed.

1.03 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, no changes took place.

1. In 1983, it is expected the weighted price of oil will be $27 per barrel; in 1984 it will go up to $29 per barrel; in 1985, to $30 per barrel; in 1986, to $32 per barrel; and in 1987, $34 per barrel.

2. It is expected that the Mid East problems will continue throughout this year and more normal economic conditions, including a significant resumption in the area of oil exports, will take place not earlier than in 1984.

3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1983-1987 period. In the second half of 1983 some increases in interest rates, and in 1984-1985 stabilizing are axpected.

4. Increases in state and local taxation in 1983-1986 are anticipated.

5. In 1984 and 1984 good harvests are assumed for this country, and average production of crops is expected in the U.S.S.R. and China in these years. U.S. record crops are expected in 1985-1986.

6. Average rates of growth in 1983-1986 in tha major industrial countries are anticipated: West Germany 2.9%; Italy 2.5%; Great Britain 2.3%; France 2.4%; Japan 2.6%.

7. No drastic changes in international relationships are assumed.

The August 1983 KEDI forecast is highlighted on page 4.

1.10 REAL GROWTH

(Tables 1.10 and 1.11 on pages 6 and 8)

The good news abounds. Actually, there is a bit too much of it. It is not expected here that the second quarter rate of growth

KEDI FORECAST HIGHLIGHTS

TABLE 1.00

Indicator	Unit	1982	1983	1986	1987
Gross national product	bil. 1972$	1485.4	1528.3	1715.7	1648.1
Index of industrial production	1967= 100	138.6	146.2	184.8	191.8
Capacity utilization	%	71.7	74.5	82.1	80.1
Unemployment rate	%	9.72	9.87	7.24	7.56
Private housing starts	mil.	1.061	1.599	1.695	1.314
Car sales	mil.	8.0	8.8	9.8	9.0
Implicit GNP price deflator	1972= 100	206.9	216.5	250.5	263.8
Consumer price index	1967= 100	288.6	297.6	342.0	360.1
Producer price index*	1967= 100	280.6	286.3	342.6	363.5
Federal deficit	bil.$	-147.8	-192.1	-99.6	-84.2
Personal income	bil.$	2587.6	2756.4	3446.9	3653.7
Prime rate	%	14.86	10.85	11.82	11.93
Mortgage rate	%	15.57	12.80	13.14	13.42
Currency plus demand deposits	bil.$	475.4	510.3	628.4	666.7
Commercial and industrial loans	bil.$	393.2	414.9	459.8	471.8

* Finished goods

REAL GROWTH

will continue, but if it did, the economy would be overheated.

1. Retail Sales For the fourth concecutive month, such sales were up. June sales were 0.7 percent higher. In June, consumer installment debt was up by 9.25 percent, annual rate. If the rapid rate for June had continued, credit demand or depleted saving would have lead to some rapid fall. KEDI agrees with Robert Ortner of the Commerce Department that the June rate of gain in retail sales was quite nice. Such rates would not hurt the recovery whereas continuation of rate increases such as 3 percent or more would create overheating and lead to possible shortages which would put more pressure on prices and interest rates. Some analysts are looking to shortages of color TVs, audio equipment, and video tape recorders by the end of summer.

2. Operating Rates The factories, mines, and utilities were operating at a seasonally adjusted 74.5 percent of capacity in June. That was the best rate of the last six months.

3. Industrial Output The Index of Industrial Production recorded another 1.1 percent increase in June. That was the same as the May gain. The Index has been going up for seven months.

4. Durable Goods Orders for durables rose by 5.5 percent in June. They were up 1.6 percent in May. The June increase included a hefty gain in military orders. Orders for nondefense capital goods increased 4.6 percent in June. New orders by manufacturers edged up to $169.6 billion in May from the April level of $166.3, according to Commerce Department figures released in the second week of July.

5. Machine Tool Orders Such orders moved ahead by 15 percent in June from the year-earlier total which was quite depressed.

6. Factory Shipments In May these shipments continued their upward move that started late last year.

7. Housing New housing starts were well ahead from a year ago, but were down a bit between May and June. The reader is referred to Section 1.41.

TABLE 1.11 SELECTED INDICATORS OF REAL GROWTH

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Gross national product,1972$	bil. 1972 $	1485.4	1490.1	1521.4	1541.3	1560.1	1528.3	2.9
Index of industrial product.	1967=100	138.6	138.5	144.3	148.9	153.2	146.2	5.5
Unemployment rate	%	9.72	10.34	10.10	9.69	9.35	9.87	1.5
Capacity utilization rate	%	71.7	70.7	73.8	75.6	77.8	74.5	4.8
Private housing starts	mil. units	1.061	1.649	1.684	1.603	1.416	1.599	50.7
Car sales	mil. units	8.0	8.4	8.8	8.8	9.0	8.8	10.0

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Gross national product,1972$	bil. 1972 $	1528.3	1571.9	1586.9	1602.2	1621.1	1595.5	4.4
Index of industrial product.	1967=100	146.2	157.3	160.7	164.7	167.3	162.6	11.2
Unemployment rate	%	9.87	9.09	8.95	8.64	8.21	8.72	-11.4
Capacity utilization rate	%	74.5	79.2	80.4	81.5	82.3	80.1	7.5
Private housing starts	mil. units	1.599	1.462	1.801	1.815	1.592	1.668	4.3
Car sales	mil. units	8.8	9.1	9.0	9.4	9.5	9.2	4.5

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Gross national product,1972$	bil. 1972 $	1595.5	1623.2	1636.7	1650.9	1663.0	1643.4	3.0
Index of industrial product.	1967=100	162.6	170.0	172.5	173.4	173.6	172.4	6.0
Unemployment rate	%	8.72	8.11	7.93	7.89	7.94	7.87	-8.6
Capacity utilization rate	%	80.1	82.1	82.0	80.3	79.3	80.9	1.0
Private housing starts	mil. units	1.668	1.496	1.658	1.566	1.300	1.505	-9.8
Car sales	mil. units	9.2	9.3	9.5	9.3	9.7	9.5	3.3

*Historical data (1) % change over previous year

REAL GROWTH

8. Autos Recent surges in car sales should not lead those in the industry to get overly optimistic and drastically push up production plans. (See Secion 1.42.)

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

(Table 1.21 on page 10)

In June the CPI went up a modest 0.2 percent. KEDI agrees that the monthly changes will be higher during the rest of the year. In general, economists expect moderate inflation this year and 4-5 percent in 1984 and 1985. KEDI and the Administration are in rough agreement with changes in the CPI forecast here at 3.2 percent for this year and 4.4 percent for 1984. The Federal Reserve considers rates in the 4-5 percent range as too high. Such rates were not acceptable in the early 70's and lead to imposing wage and price controls.

Still, such rates are "low" in contrast to rates of a few years ago. There are four main reasons to expect such low rates:

1. Energy prices will face continuous downward pressure in the near future.

2. The strong dollar will continue. It will hold down the cost of imported goods. One way of looking at the dollars standing may seen frivolous but is actually a fairly good indicator. It may be called the burger barometer. The dollar value of a MacDonalds' Big Mac, small fries, and a small Coke based on late July exchange rates was at $3.82 in Paris, France as compared to $3.39 in New York, $2.52 in London, and $3.23 in Zurich. Over in Tokyo, it was $2.62. If the currencies were to be made equal using the "Burger" index, the British pound, for example, would have to be revalued upward by 25.7 percent and the French franc devauled 11.3 percent. (The New York Times, Section 3, July 3, 1983, page 1.)

3. Wage gains will continue to be moderate. In the late 70's, 10-12 percent increases in wages were the norm. Now, gains of around 5 percent are common and probably will be for the next few years.

1.12 REAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Gross national product	bil.$	1485.4	1490.1	1521.4	1541.3	1560.1	1528.3	2.9
Personal cons. expenditures	bil.$	970.2	976.3	1010.5	1020.6	1029.4	1009.2	4.0
Gross private dom. investment	bil.$	194.5	196.7	208.5	221.6	233.2	215.0	10.0
Net exports	bil.$	29.4	24.6	10.2	4.4	1.3	10.1	-65.6
Government purchases:								
Federal	bil.$	116.4	117.9	118.2	118.8	119.3	118.6	1.9
State and local	bil.$	174.6	174.6	174.0	175.9	176.9	175.4	.3

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Gross national product	bil.$	1528.3	1571.9	1586.9	1602.2	1621.1	1595.5	4.4
Personal cons. expenditures	bil.$	1009.2	1039.2	1050.1	1059.3	1068.2	1054.2	4.5
Gross private dom. investment	bil.$	215.0	238.8	243.5	248.0	252.8	245.8	14.3
Net exports	bil.$	10.1	-2.3	-5.7	-6.1	-3.2	-4.3	-
Government purchases:								
Federal	bil.$	118.6	119.9	121.8	122.7	124.1	122.1	? 0
State and local	bil.$	175.4	176.3	177.2	178.3	179.2	177.8	1.4

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Gross national product	bil.$	1595.5	1623.2	1636.7	1650.9	1643.0	1643.4	3.0
Personal cons. expenditures	bil.$	1054.2	1063.7	1072.1	1080.1	1087.2	1075.8	2.0
Gross private dom. investment	bil.$	245.8	256.2	257.9	259.4	261.3	258.7	5.2
Net exports	bil.$	-4.3	-2.1	-1.1	1.3	1.5	-.4	-
Government purchases:								
Federal	bil.$	122.1	125.0	125.9	126.9	128.3	126.5	3.6
State and local	bil.$	177.8	180.4	181.9	183.2	184.7	182.7	2.8

*Historical data. (1) % change over previous year

PRICES

4. Unemployment will fall slowly. Because of this, there will not be excessive upward pressure on wages.

HOWEVER, a recovery that fires up too early and with too much fuel could reverse these trends. Some indications that this might happen are as follows:

5. Some efforts to renegotiate contracts have started. The Chrysler situation with talk of demands for $2.00 an hour more in pay is an illustration. Concessions made in recession times need to be balanced when profits return, but the adjustment must be moderately paced and in proportion.

6. Some prices keep on increasing. For instance, medical costs were up 0.5 percent in June and 0.4 percent in May.

Despite lower prices for food, producer prices were up 0.5 percent in June. Most important is the fact that the prices of raw materials have been going up. They leaped ahead by 1.5 percent in June and the rate of gain in May was the same. Increases in raw material prices can filter up to prices of finished goods.

KEDI does nor agree with Lawrence Chimerine of Chase Econometrics that the June price increase did not reflect renewed inflationary pressure but an adjustment in energy prices. This Institute does agree with Jason Benderly of Prudential and others that keep in mind inflation pressure is never gone completely. It can come back at any time. KEDI assumes the Fed will take appropriate action during the rest of this year to keep gains modest.

1.22 NOMINAL GNP

(Table 1.22 on page 12)

The forecast of the nominal value of GNP and components has been slightly changed due to the July 20, 1983 Department of Commerce benchmark revision of historical data series.

As compared with the previous forecast the main difference is in forecast data for Net Exports. Now, KEDI anticipates a less favorable relationship between exports and imports for the

1.21 PRICES
(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Consumer price index,n.s.a.	1967=100	288.6	292.5	296.2	299.3	302.2	297.6	3.1
Producer price index,n.s.a.**	1967=100	280.6	283.4	284.9	287.5	289.2	286.3	2.0
Price deflators:								
GNP	1972=100	206.9	212.8	215.2	217.7	220.4	216.5	4.6
Personal cons. expenditures	1972=100	205.3	209.0	212.9	214.6	216.5	213.3	3.9
Gross private dom.investment	1972=100	213.1	212.9	216.5	225.7	231.8	221.7	4.0
Federal purchases	1972=100	221.9	230.0	232.5	233.1	234.6	232.6	4.8

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Consumer price index,n.s.a.	1967=100	297.6	305.7	309.7	312.7	315.4	310.9	4.5
Producer price index,n.s.a.**	1967=100	286.3	294.6	297.8	303.0	308.9	301.1	5.2
Price deflators:								
GNP	1972=100	216.5	221.6	224.8	225.9	232.2	226.4	4.4
Personal cons. expenditures	1972=100	213.3	218.5	220.7	223.2	225.4	222.0	4.1
Gross private dom.investment	1972=100	221.7	226.2	231.9	235.8	240.2	233.5	5.3
Federal purchases	1972=100	232.6	236.6	239.9	243.1	246.8	241.6	3.9

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Consumer price index,n.s.a.	1967=100	310.9	317.9	322.0	327.0	333.4	325.1	4.6
Producer price index,n.s.a.**	1967=100	301.1	314.4	318.2	323.3	327.4	320.8	6.5
Price deflators:								
GNP	1972=100	226.4	234.3	237.3	239.0	240.3	237.7	5.1
Personal cons. expenditures	1972=100	222.0	228.1	231.4	233.6	234.2	231.8	4.4
Gross private dom.investment	1972=100	233.5	242.5	244.7	245.2	246.5	244.7	4.8
Federal purchases	1972=100	241.6	247.5	248.7	250.1	252.3	249.7	3.4

*Historical data (1) % change over previous year **Finished goods

NOMINAL GNP

rest of this year and in 1984 mainly due to the strength of dollar and increased competition on international markets. In 1984 KEDI anticipates hefty increases in the Gross Private Domestic Investment component especially in the Nonresidential Structures and the Change in Inventories items--the projection shows a 20 percent increase compared with the 7.2 percent growth of nominal GNP.

1.30 EMPLOYMENT AND LABOR

(Table 1.30 on page 14)

The forecast is not changed. KEDI maintains that the jobless rate will move down at a gradual pace. This Institute is more optimistic than Chase Econometrics or the Administration as can be seen here for the fourth quarters of this year and the next year.

Unemployment Rate
(in %, fourth quarters)

	Administration	Chase	KEDI
1983:4	9.6	9.5	9.3
1984:4	8.6	8.5	8.2

The unemployment rate continued to edge down at a slow pace in June when the rate reached 10.0 percent. It was at 10.1 in May. It is a good sign that the jobless rate showed a positive move in the face of a sharp increase in the work force.

Total employment was up by 1.2 million to 100,786,000. The number of unemployed declined by 46,000 to 11,146,000.

The jobless rate will remain on the high side and be slow to decline for a number of reasons. First, discouraged workers begin to move back into being counted as unemployed as the economy picks up. That is, thousands of jobless people gain new get-up-and-go when they hear, see, and read of specific instances of growth and expansion. Secondly, changing technology has reduced the need for factory labor jobs. Many of the laid-off workers in basic ind ries may never get their old jobs back. Retraining

1.22 NOMINAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Gross national product	bil.$	3073.0	3171.5	3273.7	3355.3	3437.7	3309.8	7.7
Personal cons. expenditures	bil.$	1991.9	2069.4	2151.3	2190.2	2287.7	2159.9	8.4
Gross private dom. investment	bil.$	414.5	404.1	451.5	500.2	540.6	474.3	14.4
Net exports	bil.$	17.4	-20.5	-12.7	-28.7	-34.1	-13.7	-
Government purchases:								
Federal	bil.$	258.7	273.5	274.8	276.9	279.9	276.4	6.8
State and local	bil.$	390.5	404.0	408.5	416.7	422.6	413.1	5.8

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Gross national product	bil.$	3309.8	3483.1	3567.5	3661.3	3764.6	3619.1	9.3
Personal cons. expenditures	bil.$	2159.9	2270.6	2317.6	2364.4	2407.7	2340.1	8.3
Gross private dom. investment	bil.$	474.3	540.2	564.7	584.8	619.2	577.2	21.7
Net exports	bil.$	-13.7	-38.9	-42.6	-28.7	-21.4	-32.9	-
Government purchases:								
Federal	bil.$	276.4	283.7	292.2	298.3	306.3	295.1	6.8
State and local	bil.$	413.1	427.5	435.6	442.5	452.8	439.6	6.4

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Gross national product	bil.$	3619.1	3802.8	3884.3	3945.0	3996.5	3907.2	8.0
Personal cons. expenditures	bil.$	2340.1	2426.3	2480.8	2523.1	2546.2	2494.1	6.6
Gross private dom. investment	bil.$	577.2	621.3	631.1	636.0	644.1	633.1	9.7
Net exports	bil.$	-32.9	-12.1	-5.6	-3.2	3.4	-4.4	-
Government purchases:								
Federal	bil.$	295.1	309.4	313.1	317.4	323.7	315.9	7.0
State and local	bil.$	439.6	457.9	464.9	477.7	479.1	468.4	6.6

*Historical data (1) % change over previous year

EMPLOYMENT AND LABOR

is only a partial solution that does not realistically help the older worker much. That leads to another point which is the changing distribution pattern. In this post-industrial society, there is a surplus of the not-so-young. We move more and more to a service oriented economy with computers taking on some of the services. Joblessness will be harder to shake. For these reasons, it appears that an unemployment rate of 6-7 percent will be accepted as "normal" for the next decade at least. It is not seen here as getting down to normal in the next few years. The rate is forecast at close to 7.8 percent for 1985 while the number with jobs is seen as going up by roughly 6 million between 1983 and 1985.

1.41 HOUSING

(Table 1.41 on page 16)

The projection is maintained. KEDI continues to assume that the high housing starts rate of the first months of this year cannot be sustained. Confirmation of this is seen in the drop in the rate of starts between May and June. The June rate was down 2.9 percent, seasonally adjusted at an annual rate of 1.747 million. Looking at the very depressed June of 1982 does show a leap of 92 percent. Those in housing are quite aware that high interest rates dampen recovery in housing. The decline between May and June was more severe when looking at single-family units. They were down by 7.1 percent. Building permits issued rose 6.7 percent and were 88.9 percent above June of 1982.

Other economists are beginning to express views that have been maintained here. The president of the Mortgage Bankers Association acknowledged that the second half of this year will not likely be as good as the first due to rising interest rates. Michael Sumichrast pointed to a dropoff in activity by early in the fourth quarter. Harry Pride of the National Association of Home Builders commented on this as possibly being the shortest housing recovery since after WWII as it started in October of last year and could end in late summer. (Record-Courier, UPI, July 22, 1983, page 14.)

TABLE 1.50 EMPLOYMENT AND LABOR

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Population	mil.	229.6	231.5	232.2	232.9	233.4	232.5	1.3
Civilian labor force	mil.	110.2	110.5	111.1	112.4	113.8	112.0	1.6
Employment	mil.	99.5	99.1	100.0	101.5	103.2	100.9	1.4
Agriculture	mil.	3.4	3.4	3.4	3.4	3.4	3.4	.0
Non agricult.	mil.	96.1	95.7	96.6	98.1	99.8	97.5	1.5
Unemployment rate	%	9.72	10.34	10.10	9.69	9.35	9.87	1.5

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Population	mil.	232.5	234.5	235.1	236.0	236.9	235.7	1.4
Civilian labor force	mil.	112.0	113.1	114.2	115.1	116.2	114.7	2.4
Employment	mil.	100.9	102.8	104.0	105.2	106.7	104.7	3.8
Agriculture	mil.	3.4	3.4	3.4	3.4	3.4	3.4	.0
Non agricult.	mil.	97.5	99.4	100.6	101.8	103.3	101.3	3.9
Unemployment rate	%	9.87	9.09	8.95	8.64	8.21	8.72	-11.4

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Population	mil.	235.7	237.5	238.1	239.1	240.1	238.7	1.3
Civilian labor force	mil.	114.7	117.7	119.3	121.6	123.2	120.5	5.1
Employment	mil.	104.7	108.2	109.8	112.0	113.4	110.9	5.9
Agriculture	mil.	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Non agricult.	mil.	101.3	104.8	106.4	108.6	110.0	107.5	6.1
Unemployment rate	%	8.72	8.11	7.93	7.89	7.94	7.97	-8.6

*Historical data (1) % change over previous year

HOUSING

The recent increase in mortgage rates will lead to some retreating in housing start expansion and already has caused a leveling off that has been acknowledged by Commerce Secretary M. Baldrige. M. Sumichrast of the NAHB pointed out that the interest rate hike added about $50 to the monthly payments of a $65,000 house mortgage. That additional $50 is more than a drop in the bucket. It likely meant that arounf two million people were taken out of the home buying group as they grapple with the possibly over-strained budgets.

This Institute emphatically does NOT agree with Commerce Secretary Baldrige in his assessment that current interest rates are caused by the size of the federal deficit. It is not true that federal financing demand crowd credit markets and curtail construction recovery. It has been stated here repeatedly that there are adequate sources of financing in other sectors. (The reader is referred to the October, 1982 issue on page 16 for more of this or the May, 1983 issue on page 16.)

KEDI does agree with Treasury Secretary Regan in his blaming the interest rate increase on the money supply expansion over the last two months.

1.42 AUTOMOBILES

(Table 1.42 on page 18)

The forecast is not changed. In mid-July car sales bounded ahead by 38.3 per cent above the low levels of last year for that time period. So far this year, sales of U.S. made cars have improved by 15.8 percent from the same period of last year. That confirms the forecast that has been made here for an increasing share to be domestically produced cars. The outlook shows that the share will continue to gain. In June, imports represented 25.9 percent of all sales, as compared to a 30.0 percent share in June of 1982.

Industry analyst expect domestically produced cars in July to sell at a rate 26.3 percent ahead of the prior July.

TABLE 1.41 HOUSING

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Single-family housing starts	mil.	.656	1.079	1.099	1.002	.845	1.006	53.4
Multifamily housing starts	mil.	.405	.615	.585	.601	.571	.593	46.4
Mobile home shipments	mil.	.239	.281	.293	.286	.289	.287	20.1
Permits authorized	mil.	1.000	1.464	1.639	1.627	1.514	1.561	56.1
1-family unit** price, new	tho.$	84.0	87.1	91.4	93.5	95.1	91.8	5.4
1-family unit** price,existing	tho.$	80.3	80.5	82.1	83.6	85.4	82.9	3.0

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Single-family housing starts	mil.	1.006	.884	1.171	1.174	.973	1.051	4.5
Multifamily housing starts	mil.	.593	.578	.630	.641	.619	.617	4.0
Mobile home shipments	mil.	.287	.272	.281	.283	.279	.279	-2.8
Permits authorized	mil.	1.561	1.324	1.586	1.603	1.537	1.513	-3.1
1-family unit** price, new	mil.	91.8	96.2	97.1	99.0	100.3	98.2	2.1
1-family unit** price,existing	tho.$	82.9	86.6	88.0	89.7	91.2	88.9	2.7

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Single-family housing starts	mil.	1.051	.910	1.026	.983	.814	.933	-11.2
Multifamily housing starts	mil.	.617	.586	.632	.583	.486	.572	-8.3
Mobile home shipments	mil.	.279	.253	.258	.230	.207	.237	-15.1
Permits authorized	mil.	1.513	1.386	1.107	.951	.876	1.080	-28.6
1-family unit** price, new	tho.$	98.2	101.2	103.1	104.2	105.3	103.5	2.3
1-family unit** price,existing	tho.$	88.9	89.6	91.2	92.4	94.1	91.8	2.5

*Historical data (1) % change over previous year **Not seas. adjusted

AUTOMOBILES

Despite the successes, the outlook should be viewed with some caution. Production plans remain essentially unchanged with third quarter schedules calling for 36 percent more cars produced than in the like period of last year.

The prediction at this Institute of an increase in production and sales of larger autos is also confirmed. There will be more demand for larger cars for two main reasons. First, babies born in the post WWII boom are NOW having their own families. Secondly, gasoline prices are not seen as escalating any more in the near future.

1.50 BUDGETS

(Table 1.50 on page 20)

The recent revision by the OBM of the federal deficit for fiscal 1984 starting October 1, 1983 is close to KEDI's forecast. (The reader is referred to the KEDI Economic Survey, July 1983 issue, p. 16.)

Projections of Fiscal 1984 Deficit

OBM	$175 billion
KEDI	$172 billion

This Institute is not as optimistic as Treasury Secretary Regan in calculation the impact of a faster-than-expected recovery. He expects tax receipts to expand by $95 billion by 1988 and hopes it will go toward deficit reduction. That would mean an average of about $19 billion less annually in projected deficits.

Calculations here show that such savings would be much more modest. Even modest savings will only be possible if the recovery is ROBUST and continues for several years. KEDI does not expect the recovery to be energetic for several years. A slowdown in 1985 and again in 1987-88 is anticipated. Given these assumptions, the estimate here for savings if growth is faster than expected, for the next five fiscal years, is $20 billion total. As compared to Regan's $95 billion, KEDI's figure is more modest and it is more

TABLE 1.42 AUTOMOBILES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Passenger cars								
Total sales	mil.	8.0	8.4	8.8	8.8	9.0	8.8	10.0
Domestic	mil.	5.8	6.0	6.6	6.6	6.8	6.5	12.0
Imported	mil.	2.2	2.4	2.2	2.2	2.2	2.3	4.5
Dealers inventories**	mil.	1.9	1.2	1.2	1.1	1.3	1.2	-26.8
Factory shipments,	mil.	5.0	6.0	6.7	6.6	6.9	6.6	32.0
Light-duty truck sales	mil.	2.1	1.9	2.4	2.3	2.1	2.2	4.8

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Passenger cars								
Total sales	mil.	8.8	9.1	9.0	9.4	9.5	9.2	4.5
Domestic	mil.	6.5	6.5	6.8	6.8	7.1	7.1	9.2
Imported	mil.	2.3	2.6	2.2	2.6	2.4	2.1	-8.7
Dealers inventories**	mil.	1.2	1.4	1.3	1.3	1.4	1.4	16.7
Factory shipments**	mil.	6.6	6.7	6.8	6.8	7.2	6.9	4.5
Light-duty truck sales	mil.	2.2	2.0	2.3	2.2	2.1	2.2	1.6

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Passenger cars								
Total sales	mil.	9.2	9.3	9.5	9.3	9.7	9.5	3.3
Domestic	mil.	7.1	7.0	7.2	7.2	7.3	7.3	2.8
Imported	mil.	2.1	2.3	2.3	2.1	2.4	2.2	4.8
Dealers inventories**	mil.	1.4	1.5	1.4	1.5	1.6	1.5	7.1
Factory shipments**	mil.	6.9	7.1	7.0	7.3	7.5	7.2	7.2
Light-duty truck sales	mil.	2.2	2.0	2.3	2.0	1.9	2.1	5.3

*Historical data (1) % change over previous year **Seas. not adjusted

BUDGETS

likely that it would be used in spending rather than deficit reduction. Again, the figures are hypothetical. KEDI does not anticipate growth much beyond 3 percent this year and 4.5 percent in 1984 and is only marginally revising its estimates.

For state and local budgets, there will be persistent problems for this and in the following years. Difficult as it may be, substantial tax hikes are going to occur.

1.60 INCOME

(Table 1.60 on page 22)

The forecast data for Personal Income, Personal Disposable Income, Personal Savings, and components have been raised mainly due to the Department of Commerce which has upwardly revised the 1982 estimates.

Personal Income was up a moderate 0.5 percent in June. It had gone up 1.1 percent in May. The gains have been at the expense of saving which skidded to 3.9 percent of after-tax income in May. That is the lowest rate EVER recorded since such statistics started to be kept 24 years ago!

Estimates of second quarter Personal Saving show a shocking decline.

Personal Saving (in billions of $)

1982 year average	125.4	
1983 first quarter	121.7	(annual rate)
1983 second quarter	89.4	(annual rate)

The drop in the second quarter as compared to the first quarter is 36 percent. It indicates that the surge in consumer spending came out of savings.

The July tax cut will only partially and temporarily offset this discouraging number. State and local tax increases will shortly negate most of the tax cut. It is not foreseen here that there will be any definite improvement in the savings rate. Certainly, it won't soon return to the traditional 5 percent rate.

TABLE 1.50 FEDERAL AND STATE AND LOCAL BUDGETS
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Federal govt.:								
Income taxes	bil.$	304.7	297.7	303.9	293.5	308.6	300.9	-1.2
Corporate prof. tax accruals	bil.$	46.5	48.6	49.3	52.8	55.9	51.7	11.2
Surplus/deficit	bil.$	-147.8	-183.3	-196.9	-204.9	-183.1	-192.1	-30.6
State and local governments:								
Income taxes	bil.$	97.4	104.1	108.3	110.4	113.1	109.1	12.0
Corporate prof. tax accruals	bil.$	12.7	12.9	13.8	14.6	15.2	14.1	11.0
Surplus/deficit	bil.$	31.3	40.4	42.5	43.7	44.6	42.8	5.9

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Federal govt.:								
Income taxes	bil.$	300.9	312.1	321.4	328.3	338.7	325.1	8.0
Corporate prof. tax accruals	bil.$	51.7	58.3	61.4	63.1	65.8	62.2	20.3
Surplus/deficit	bil.$	-192.1	-174.2	-167.3	-160.7	-156.9	-164.8	-14.2
State and local governments:								
Income taxes	bil.$	109.2	115.2	117.3	119.4	122.1	118.5	9.6
Corporate prof. tax accruals	bil.$	14.1	16.7	18.3	19.1	20.1	18.6	13.2
Surplus/deficit	bil.$	42.8	45.2	47.7	47.6	50.2	47.7	11.4

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Federal govt.:								
Income taxes	bil.$	325.1	344.1	350.1	358.1	367.2	354.9	9.2
Corporate prof. tax accruals	bil.$	62.2	68.3	70.2	72.3	73.8	71.2	14.4
Surplus/deficit	bil.$	-164.8	-131.7	-108.6	-101.4	-98.7	-110.1	-33.2
State and local governments:								
Income taxes	bil.$	118.5	124.5	127.2	130.8	134.9	129.4	9.2
Corporate prof. tax accruals	bil.$	18.6	22.3	23.4	24.8	25.6	24.0	29.0
Surplus/deficit	bil.$	47.7	52.1	53.5	54.6	55.2	53.9	13.0

*Historical data (1) % change over previous year

INCOME

The forecast of average weekly earnings and corporate profits is not changed.

1.70 MONEY AND CREDIT

(Table 1.70 on page 24)

The forecast here remains essentially the same with only fractional upward adjustments. The Federal Reserve will attempt to hold money supply growth to 5-9 percent for the rest of the year. Previously, the target range was 4-8 percent. The growth ranges for M2 and M3 were not changed from the 7-10 percent target range.

The rapid growth in the money supply has amounted to an annual rate of 14 percent so far this year. That has caused worries about renewed inflation.

With the new targets, Paul Volcker announced the growth will be measured from M1's second-quarter average instead of the fourth quarter of last year. That change means that M1 is about $3 billion above the new "monitoring" target whereas using the last quarter of 1982 shows a jump of $16 billion. This base change for comparison does not alter the fact that M1 has gone up well above targets.

Apparently, the Fed have taken a middle ground in not curbing the money supply and allowng moderate increases. KEDI considers the efforts too mild and anticipates that further tightening will take place at the next Open Market Committee's meeting. Leif H. Olsen, chairman of Citibank's economic policy committee pointed to their forecast showing the Fed's will finally start to slow money supply growth. KEDI agrees. (The Wall Street Journal, July 12, 1983, p.1.)

Warning signals of potential troubles for next year have started to appear. Four factors are involved: the alarming decline in personal saving, the surge in consumer credit, the second quarter mortgage credit growth, and gains in crude material prices. All of these may rekindle inflation and lead to much harsher measures.

TABLE 1.60 INCOME

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Personal income	bil.$	2578.6	2657.7	2716.0	2795.6	2856.2	2756.4	6.9
Personal disposable income	bil.$	2176.5	2255.9	2303.8	2391.7	2434.5	2159.9	8.3
Compensation of employees	bil.$	1865.7	1923.7	1969.9	1993.4	2057.4	1986.1	6.5
Corporate after tax profits	bil.$	115.1	108.2	118.1	128.6	140.9	124.0	7.7
Personal saving	bil.$	125.4	121.7	89.4	137.2	140.1	122.1	-2.6
Average weekly earnings	$	330.1	342.3	351.1	356.9	363.0	353.3	7.0

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Personal income	bil.$	2756.4	2906.8	2974.0	3041.9	3102.1	3006.2	9.1
Personal disposable income	bil.$	2159.9	2479.5	2535.3	2594.3	2641.3	2562.6	9.2
Compensation of employees	bil.$	1986.1	2106.5	2139.4	2178.9	2244.5	2167.3	9.5
Corporate after tax profits	bil.$	124.0	142.3	146.1	148.7	150.4	146.9	18.5
Personal saving	bil.$	122.1	142.1	150.3	160.2	161.3	153.5	26.7
Average weekly earnings	$	353.3	370.4	376.2	382.4	388.5	379.4	7.4

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Personal income	bil.$	3006.2	3130.2	3196.3	3250.1	3285.0	3215.4	7.0
Personal disposable income	bil.$	2562.6	2661.6	2719.0	2761.2	2782.7	2731.2	6.6
Compensation of employees	bil.$	2167.3	2274.5	2305.6	2344.1	2364.2	2322.1	7.1
Corporate after tax profits	bil.$	146.9	153.4	157.6	162.4	163.7	159.3	8.4
Personal saving	bil.$	153.5	158.7	160.3	158.9	154.6	158.1	4.8
Average weekly earnings	$	379.4	391.2	394.3	400.1	405.2	397.7	4.8

*Historical data (1) % change over previous year

MONEY AND CREDIT

Calculations show that a more decisive restrictive policy in the latter part of this year will NOT derail the recovery. It will survive and proceed on more solid ground.

Forecast data here for monetary and credit aggregates are based on the assumption that there will be a more restrictive policy at the Federal Reserve. As compared to the last forecast, there are very slight changes in an upward direction.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

(Table 1.80 on page 26)

As has been forecast here for over a year, interest rates are going up and will be close to firm during the rest of the year. There is a wide range of opinions about interest rates in the remainder of this year. W.V. Sullivan, Jr. of Dean Witter Reynolds anticipates that banks soon will raise the prime lending rate to 11 percent from 10.5. KEDI agrees.

For a change, this Institute agrees with Henry Kaufmann of Salomon Brothers in his assessment that interest rates will likely move up a bit and the recovery will generate gradually higher credit demands to support the growth.

The view of H. C. Nathan of Wells Fargo that interest rates should start declining in August is not shared here.

Irvin L. Kellner of Manufacturers Hanover Trust looks toward easier credit and growth in M1 below the lower target limit. He sees that as encouraging the Fed to ease up and leading to a federal funds rate dropping to around 8 percent by the end of the year.

Others forecast such rates as being in the 7 percent area. Both are viewed by KEDI as off the mark.

In general, interest rates will be going UP NOT DOWN.

This Institute anticipates that the Fed will pursue the policy of higher interest rates this year. That will help minimize the possible need for more substantial restraint in 1984.

TABLE 1.70 MONEY AND CREDIT
(Data for "Currency and demand deposits, M1", "Time deposits, adjusted, M2", and "Large denomination time deposits" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Currency and demand deposits,M1	bil.$	475.4	490.3	512.1	517.3	521.4	510.3	7.3
Time deposits, adjusted,M2	bil.$	1918.2	2043.6	2096.3	2180.5	2219.6	2135.0	11.3
Consumer instal. credit	bil.$	343.4	342.6	350.7	357.1	368.4	368.8	7.4
Commerc.& indus. loans at banks	bil.$	393.2	397.8	401.3	408.7	414.9	414.9	5.5
Large denomination time dep.	bil.$	319.6	301.6	304.7	307.2	310.5	306.0	-4.3
Mortgages at S & L Assns.	bil.$	482.4	484.1	503.8	510.9	517.3	517.3	7.2

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Currency and demand deposits,M1	bil.$	510.3	528.9	536.1	550.3	564.1	544.9	6.8
Time deposits, adjusted, M2	bil.$	2135.0	2253.7	2304.7	2349.6	2425.7	2358.2	10.5
Consumer instal. credit	bil.$	368.8	370.1	377.2	384.5	393.1	393.1	6.6
Commerc.& indus. loans at banks	bil.$	414.9	417.3	421.3	424.6	430.2	430.2	3.7
Large denomination time dep.	bil.$	306.0	321.4	314.8	316.7	317.5	315.4	3.1
Mortgages at S & L Assns.	bil.$	517.3	521.3	532.6	541.1	556.3	556.3	7.5

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Currency and demand deposits,M1	bil.$	544.9	569.3	573.1	592.4	603.7	584.6	7.3
Time deposits, adjusted,M2	bil.$	2358.2	2478.3	2556.7	2642.3	2734.1	2602.9	10.4
Consumer instal. credit	bil.$	393.1	405.2	410.4	415.4	420.2	420.2	6.9
Commerc.& indus. loans at banks	bil.$	430.2	431.3	435.3	436.1	438.7	438.7	2.0
Large denomination time dep.	bil $	315.4	321.6	327.5	324.3	319.8	323.3	2.5
Mortgages at S & L Assns.	bil.$	556.3	564.1	568.2	571.6	573.4	573.4	3.1

*Historical data (1) % change over previous year

INTEREST RATES, YIELDS, AND SECURITIES PRICES

Calculations show that a 1-1.5 percent increase in short-term rates and 0.5 percent in long-term rates will have some restraining influence on recovery, but it will not cause it to come to a halt. Also, the stock market would survive such short-term gains in interest rates without substantial downward movements.

3.00 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, Government Purchases of Goods and Services for the year 1982 has been selected for comparison. The actual figure is in the Survey of Current Business, No.5, May 1983, p.8, (U.S. Department of Commerce, Washington, D.C., monthly.) Forecast data are from Business Forecasts 1982 (Federal Reserve Bank of Richmond, Richmond, Virginia, February 1982.) The following table shows the predictions of forecasters and deviations of forecast data.

Table 2.00 COMPARISONS OF ACCURACY OF PREDICTIONS

(Government Purchases of Goods and Services, bil.$)

Actual Figure: 647.4

Forecaster	Date of Forecast	Forecast	Page of Business Forecasts 1982	% of Accuracy
U.S. Trust Company, N.Y.	12/81	640.0	9	-1.2
Calvin C. Myers, The Merchants National Bank of Aurora	12/4/81	638.0	9	-1.4
Walter D. Fackler, University of Chicago	12/9/81	625.0	11	-4.5
United Business Service	12/14/81	641.0	11	-1.0
U.S. News and World Report	12/28/81	661.0	13	+2.1
Georgia State	11/81	637.2	15	-.1
Harris Trust and Savings Bank	11/11/81	637.2	17	-1.6
UCLA	12/81	626.7	20	-3.2
Metropolitan Life Insurance Company	12/1/81	641.8	21	-.9
Standard & Poor's	12/10/81	634.5	24	-2.0
Manufacturers Hanover Trust	12/11/81	630.3	25	-2.6
Fidelity Bank	12/18/81	630.4	26	-2.6
KEDI	1/1/82	647.0	28	.0
Morgan Guaranty	1/7/82	634.5	30	-2.0

TABLE 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Treasury bills (3 mo) yield	%	10.20	8.07	8.13	9.43	9.64	8.82	-13.5
Prime rate	%	14.86	10.82	10.50	10.69	11.38	10.85	-27.0
Conventional mortgages rate	%	15.57	13.11	12.29	12.87	12.93	12.80	-17.8
Aaa corporate bonds rate	%	13.78	11.81	11.44	11.62	12.04	11.73	-18.5
20 years Govt. bonds yield	%	12.70	10.89	10.96	11.36	11.63	11.21	-11.7
Standard & Poor's 500 avg.	1941-43=100	119.75	145.26	142.77	141.02	138.94	142.00	18.6

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Treasury bills (3 mo) yield	%	8.82	9.51	9.29	9.14	8.93	9.22	4.5
Prime rate	%	10.85	11.06	10.97	10.87	11.56	11.12	2.5
Conventional mortgages rate	%	12.80	13.04	12.89	12.76	12.93	12.91	.9
Aaa corporate bonds rate	%	11.73	11.83	11.80	11.57	11.89	11.77	.3
20 years Govt. bonds yield	%	11.21	11.76	11.83	12.14	12.19	11.98	6.9
Standard & Poor's 500 avg.	1941-43=100	142.00	140.24	144.37	142.11	139.86	141.65	-2.5

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Treasury bills (3 mo) yield	%	9.92	8.98	9.37	9.85	9.76	9.49	2.9
Prime rate	%	11.12	11.35	11.02	11.29	11.15	11.20	.7
Conventional mortgages rate	%	12.91	12.61	11.87	12.95	12.48	12.47	-3.3
Aaa corporate bonds rate	%	11.77	12.16	11.36	11.82	11.39	11.68	-.8
20 years Govt. bonds yield	%	11.98	12.47	11.83	11.94	11.37	11.90	.0
Standard & Poor's 500 avg.	1941-43=100	141.65	138.54	140.28	137.13	134.54	137.62	-2.8

*Historical data (1) % change over previous year

4.00 HISTORICAL DATA SOURCES

For the reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first collumn of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the historical source. The sources are: Survey of Current Business referred to as SCB (monthly, U.S. Department of Commerce, Washington, D.C.), Federal Reserve Bulletin, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly), Index of Industrial Production, G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly).

Table 3.0 HISTORICAL DATA SOURCES

Table No.	Data Series	Source
1.11 REAL GROWTH	Gross national product, 1972$	SCB, Table 1.2
	Index of industrial production	IIP, page 2
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.12 REAL GNP	Gross national product	SCB, Table 1.2
	Personal consumpt. expend.	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Government purchases of goods and services:	
	Federal	SCB, Table 1.2
	State and local	SCB, Table 1.2
1.21 PRICES	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators:	
	GNP	SCB, Table 7.1
	Personal consumpt. expendit.	SCB, Table 7.1
	Gross private dom. investment	SCB, Table 7.1
	Federal purchases of goods and services	SCB, Table 7.1
1.22 NOMINAL GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expendit.	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Government purchases of goods and services:	
	Federal	SCB, Table 1.1
	State and local	SCB, Table 1.1

(Table 3.00 continues on the following page)

Table 3.0 HISTORICAL DATA SOURCES (Continued)

Table No.	Data Series	Source
1.30 EMPLOYMENT AND LABOR	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employed	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 HOUSING	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, exist.	FRB, Table 2.14
1.42 AUTOMOBILES	Passenger cars:	
	Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 FEDERAL AND STATE AND LOCAL BUDGETS	Federal government:	
	Income taxes	SCB, Table 3.2
	Corporate profit tax accr.	SCB, Table 3.2
	Surplus/deficit	SCB, Table 3.2
	State and local governments:	
	Income taxes	SCB, Table 3.3
	Corporate profit tax accr.	SCB, Table 3.3
	Surplus/deficit	SCB, Table 3.3
1.60 INCOME	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 MONEY AND	Currency and demand dep.,M1	FRB, Table 1.21
	Time deposits, adjusted,M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.56
	Commercial and industr.loans	FRB, Table 1.23
	Large denomin. time deposits	FRB, Table 1.21
	Mortgages at S&L Assoc.	FRB, Table 1.55
1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES	Treasury bills (3 mo) yield	FRB, Table 1.10
	Prime rate	FRB, Table 1.33
	Convent. mortgages rate	FRB, Table 1.10
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years govt. bonds yield	FRB, Table 1.10
	Standard & Poor's 500 average	FRB, Table 1.36